

# EPA's RECLAIM Evaluation

An Evaluation of the South Coast Air Quality  
Management District's Regional Clean Air  
Incentives Market - Lessons in Environmental  
Markets and Innovation



# **Program Evaluation in Region 9's Air Division**

- Institutionalized for over ten years
- Evaluate entire air quality programs as well as program elements
- Use a team approach, recently augmented by the use of contractors to interview third parties and conduct analyses
- Offer recommendations for a positive change to ensure continuing environmental results

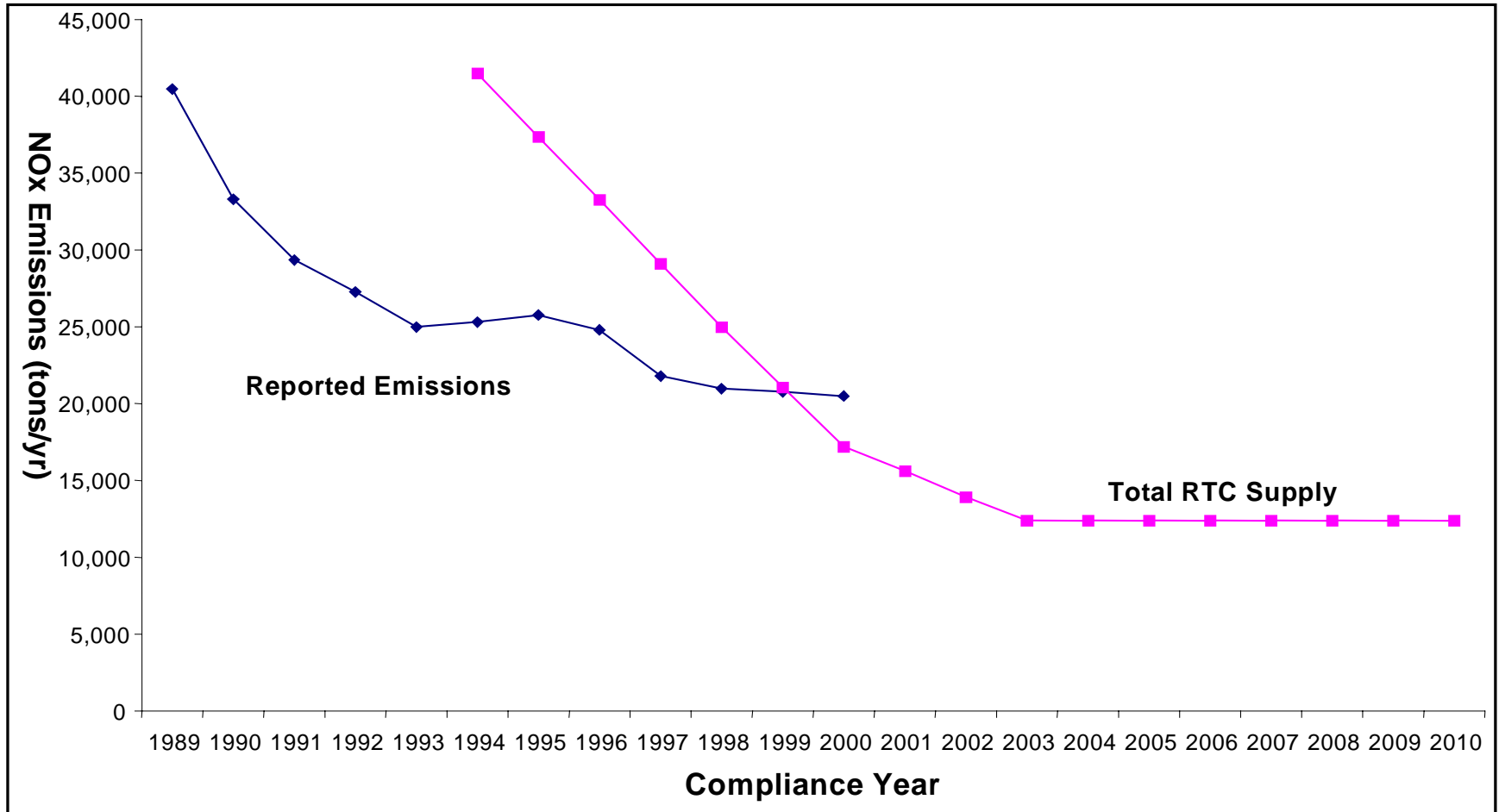
# What is RECLAIM?

- Regional Clean Air Incentives Market (RECLAIM), a cap and trade program adopted by South Coast Air Quality Management District in October 1993 (federally approved)
- About 400 facilities emitting 4 tons per year or greater of SO<sub>x</sub> and/or NO<sub>x</sub>

# **Why did EPA evaluate RECLAIM?**

- During 2000/2001, RECLAIM credit prices increased dramatically, while some facilities had difficulty meeting their emission caps.
- EPA decided to evaluate the causes of these events, to examine RECLAIM's effectiveness, and to identify lessons learned.

# RECLAIM NOx Emissions Over Time



# How did we evaluate **RECLAIM?**

- Asked a series of performance questions such as: were expected emission reductions achieved, what types of emission control strategies were used, and was the program cost-effective overall?
- Reviewed existing materials.
- Broadened our traditional approach by interviewing key stakeholders (in addition to fellow regulators) to gain their perspectives.

# **How did we evaluate RECLAIM? (continued)**

- Tailored our questions to the stakeholders interviewed (brokers, industry, environmentalists, and regulators)
- Response rate was high, though given administrative limitations, information may only be considered anecdotal
- Prepared an evaluation report

# What did we learn?

- Market-based programs require significant planning, preparation, and management during development and throughout the life of the program.
- Market information is a key factor affecting facility decision-making.



# **What did we learn?**

## **(continued)**

- Regulators should strive to create confidence and trust in the market by making a full commitment to the program and ensuring consistency in the market and their policies.

# **What did we learn?**

## **(continued)**

- Unforeseen external circumstances (like energy deregulation) can have dramatic impacts on market-based programs. Therefore, these programs must be designed to react quickly and effectively to unforeseen external factors.

# **What did we learn? (continued)**

- Periodic evaluation, revisiting of program design assumptions, and contingency strategies are crucial to keeping programs on track.

# **What did we learn? (continued)**

- Regulators need to have a strong understanding of the regulated facilities and the factors impacting their decision-making.
- Interviewing additional key stakeholders provided insight into how the program affected both the program and their decisionmaking in the market/regulatory arena.

# Conclusion

- Market programs are presently encountering some difficulties
- Credible solutions are being developed to address these difficulties in cap and trade programs
- Report available at:  
<http://www.epa.gov/region09/air/reclaim/>